



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

November 10, 2004

H.R. 5164 **National Health Museum Act of 2004**

*As ordered reported by the House Committee on Transportation and Infrastructure
on September 29, 2004*

SUMMARY

H.R. 5164 would permit the General Services Administration (GSA) to sell property in the District of Columbia to the National Health Museum, Inc. (a nonprofit corporation) and to spend the proceeds from that conveyance. In addition, the bill would require GSA to enter into an agreement with the museum to lease office space that would be built on a portion of the property. CBO estimates that enacting H.R. 5164 would increase direct spending by about \$70 million over the 2005-2014 period because such an agreement would authorize the leasing of office space by GSA without appropriation of the necessary funds. Enacting H.R. 5164 would not effect revenues.

H.R. 5164 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA), and would not affect the budgets of state, local, or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 5164 is shown in the following table. The costs of this legislation fall within budget function 800 (general government).

	By Fiscal Year, in Millions of Dollars									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Estimated Budget Authority	170	0	0	0	0	0	0	0	0	0
Estimated Outlays	0	0	0	0	11	11	12	12	12	12

BASIS OF ESTIMATE

H.R. 5164 would authorize the sale of property in Washington, D.C., known as the Cotton Annex, roughly bounded by 12th Street, Independence Avenue, Maryland Avenue, the James Forrestal building, and L'Enfant Plaza in southwest Washington, D.C. The legislation would require an agreement within 60 days of enactment and conveyance within three years. Part of the property would be used as the site for a new National Health Museum. Under the bill, the property would revert to the federal government if the corporation uses it for unauthorized purposes or fails to commence work on the museum within five years. Another portion of the property would be used for a new office building to be constructed by the National Health Museum, Inc.

An assessment of the value of the Cotton Annex property has not been completed, but based on recent property sales in the District, proceeds would likely be less than \$50 million. Under the bill, those proceeds could be spent by GSA for any authorized purpose, including future lease payments on the new office space to be constructed by the museum, remediation and relocation expenses related to the Cotton Annex site, and repairs and alterations to other government facilities. For this estimate, CBO assumes that the property would be sold in 2006 and that GSA would spend most of the proceeds in that year on general maintenance and renovation activities. In recent years, GSA has spent around \$600 million annually from appropriated funds on building repairs and alterations. The use of sales proceeds from the Cotton Annex property for those purposes would allow the agency to undertake more routine activities sooner than would otherwise be likely. Thus, CBO estimates that the property sale would have no net budgetary impact.

Under H.R. 5164, GSA would be required to enter into an agreement with the National Health Museum to lease 250,000 square feet of office space in the new building to be constructed by the museum. For this estimate, CBO assumes that agreement would obligate the government to make lease payments to the museum once it occupies the new building. The bill would authorize GSA to make such lease payments without appropriation of the necessary funds.

Consistent with government rules for accounting for obligations, the full cost of this lease commitment should be recorded in the budget as new budget authority at the time of the lease agreement. That budget authority—estimated to be about \$170 million—is determined by calculating the discounted present value of the anticipated lease payments. Spending of that budget authority would occur over the term of the building lease. For this estimate, we expect that GSA would commit to lease space in the museum's new office building for 20 years at an annual cost of about \$12 million, based on the current cost of comparable office space.

A wide variety of lease arrangements would be possible under H.R. 5164. Depending on the terms of such a lease agreement, alternative budgetary accounting rules might apply. If, for example, the federal lease commitment were sufficient to finance the construction of a new facility principally for the government's use and offered the government an option to own the facility, it would be appropriate to consider the transaction a lease-purchase. Under lease-purchase accounting, outlays would not be spread out over the 20-year lease period but rather would be recorded during the construction of the new facility. If GSA were to lease only a small portion of the museum's new facility for a brief period, the budget would likely record the transaction as an operating lease, and annual lease payments would be recorded over the duration of the lease period.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 5164 contains no intergovernmental or private-sector mandates as defined in UMRA and would not affect the budgets of state, local, or tribal governments.

ESTIMATE PREPARED BY:

Federal Costs: Matthew Pickford

Impact on State, Local, and Tribal Governments: Sarah Puro

Impact on the Private Sector: Selena Caldera

ESTIMATE APPROVED BY:

Robert A. Sunshine

Assistant Director for Budget Analysis